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SUBJECT: DOMINICA'S ECONOMY SHOWING SIGNS OF LIFE DESPITE
GLOBAL ECONOMY

REF: A. BRIDGETOWN 585
[1](#)B. BRIDGETOWN 649
[1](#)C. BRIDGETOWN 624

Summary

[1](#)1. (SBU) Despite recent turmoil in world markets, Dominica is showing some signs of improved economic vitality, with new infrastructure projects coming on line and economic growth projected to reach a respectable three percent. Economic contacts remain cautiously optimistic that Dominica will be able to weather the world wide economic downturn. End Summary.

Economy Shows Some Signs of Life

[1](#)2. (U) POLOFF's contacts unanimously confirmed that, despite the worldwide economic downturn, Dominica's economy is showing signs of vitality and appears to be on track to achieving a solid 3 percent growth rate this year. The economy benefited from the successful hosting of the 30th Independence day reunion week, which saw thousands of overseas Dominicans returning home. A number of them are reported to be considering investing in their homeland. Construction projects are also underway that, when finished, could dramatically improve Dominica's overall competitiveness. These include upgrades to allow for night landing at the international airport, which should be operational by late May; a new bypass to the airport that will reduce travel time to Roseau, also due to be completed by next May; and a west coast highway being funded by China. The Government is also moving aggressively on redevelopment of Roseau's port facilities, including construction of a five star hotel, redevelopment of the Portsmouth Cruise ship terminal.

[1](#)3. (U) The government has also signed a new Tourism Development plan, funded by the European Union, which will help foster development of 14 key eco-tourism sites. The focus of the project will be on building facilities and other supporting infrastructure at the Indian River (one of the featured locations from the Pirates of the Caribbean movies), Wotten Waven (hot springs resort and potential geothermal site), and Bellevue Chopin and at the Layou river. The government is placing emphasis on capacity building for project leaders and project implementers, as well as destination marketing and promotion. POLOFF's contacts also pointed out that there are a number of new restaurants opening up in both Roseau and Portsmouth, including an Omaha steak house, and several more Rituals coffee shops. Church's Fried Chicken has also announced plans to open 10 stores in

Dominica over the course of the next year. POLOFF's government and business contacts all shared a cautiously optimistic belief that Dominica will weather the economic downturn and remain in positive growth through next year.

Government Cuts Fuel Bills - Giving Customers a Break

14. (SBU) With oil prices falling again, the government announced a cut in the price of gasoline, kerosene and diesel, giving customers a much needed break as energy costs in Dominica are among the highest in the region (Dominica is 80 percent dependent on imported oil for its energy production). DOMLEC, the US-owned electrical utility, was rocked by the sudden death of the General Manager, Joel Huggins, in early November. Huggins, a Vincentian, had been with DOMLEC since DOMLEC took over the former state-owned utility in a still controversial deal early in the decade. Since that time, DOMLEC has been widely vilified by the government, and thus despised by the Dominican public, who perceive the company to be mercenary and insensitive to the needs of the still poor country. Recently, however, DOMLEC has been negotiating with the government to help develop badly needed new alternative energy sources (ref b). A new office director has not yet been named, so it is still too early to tell how the dynamics are likely to change between DOMLEC and the government, but the underlying contract issues will remain a big part of that relationship.

US Quarry Operator Still on The Rocks but Optimistic

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15. (SBU) Poloff met with Sam Holland, the managing director of Aggpit, an US-owned quarry. Aggpit has had some difficulty obtaining a final license to operate their quarry (ref a). Following a call from the Ambassador to Prime Minister Skerrit on behalf of Aggpit, the Prime Minister agreed to meet with Holland and his team, who reported that the Embassy's intervention had opened doors to much better communication with the government. He said the PM had a few remaining concerns regarding rock mitigation and environmental impact, which Holland said Aggpit would address. Meanwhile, Aggpit has bought an adjoining quarry for which it has a full license and has started operating there. Holland said he expects that the project will reach profitability once he is able to expand his operations to the new site. He is currently employing 6 workers and one full time manager. Once he is up to speed, he will be employing up to 50 workers, largely recruited from the local community. He has agreed to pay his workers USD 10 per hour, which is double the prevailing wage, and his manager is being paid USD 50,000 per year. He will also offer health coverage for his employees, which is not common in Dominica. The global recession is also helping him get started, he noted wryly, as he is buying previously owned equipment he needs at a deep discount.

Proposed Wind Farm Atop Tet Mont

16. (SBU) Poloff had an opportunity to hike up to the top of Tet Mont, one of the biggest peaks in Dominica to take a close look at one of the potential wind farm sites. Bernard Wiltshire, a local environmentalist, is spearheading efforts to establish wind power in Dominica. This site would be ideal, he said, as it has sustained winds all year round, but it is difficult to access with no good roads to the site. Wiltshire has been in discussions with the government and DOMLEC about the possibility of constructing a wind power facility on top of the mountain. USTDA sent a consultant to the site over the summer, who reported that the site has

potential, despite the difficulty of building the required access roads. Wiltshire envisions building an eco-tourism lodge at the site, along with organic farming. In addition to Wiltshire's project, U.S. firm Norwin A/S, with support from the Sustainable Planning and Development office of the Ministry of Economic Planning, has successfully installed a wind turbine on a 40 meter mono pole at Rosalie Nature resort facility where it will generate up to 586 KW of energy per year. Rosalie nature resort, which is owned by an American citizen, has been developed as an eco-tourism site dedicated to sea turtle conservation.

Government Signs Geothermal Agreement with EU

17. (SBU) Geothermal developments are also heating up. A grant financing agreement has been signed between the government of Dominica, the Agence Francaise De Development for the development of the geothermal resource in Wotten Waven. In January 2008, the Government of Dominica signed an agreement with the EU, which committed 1.5 million euros (1.87 million USD) to the development of geothermal resources.

Vincent Philbert, the AMCIT Permsec, told poloff that the government hopes to begin commercial drilling early next year and would welcome bids by interested U.S. firms to develop the site. He anticipates full scale production in about three years. He confirmed that discussions to build underwater HVAC power transmission cables to Martinique and Guadeloupe are well along, and he anticipates that Dominica will be able to export power successfully to neighboring islands. He also said that the government has decided to postpone the proposed USTDA grant until the next funding cycle, as it is interested in developing a more comprehensive alternative energy program. He promised to follow up directly with TDA as plans move forward. He also promised to provide post with other proposals that could be shared with Ex-Im, OPIC, and USTDA. In other geologic news, Public Works Minister Julius Timothy indicated that Dominica has discovered a huge underground freshwater reservoir and is considering exporting water to neighboring islands through underground pipes and pumps. He said he would welcome participation by U.S. firms in this and other endeavors, but did not indicate any current plans to assess the feasibility of such a proposal.

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Commercial Bodies Eager to Engage

18. (SBU) Poloff met with the head of the Dominica Chamber of Commerce, the head of Dominica Export Import Agency and Invest Dominica to discuss the possibility of holding a commercial workshop, similar to those recently conducted in Barbados and St. Lucia (ref c). There was general agreement to go forward with planning the workshop for mid-March. These workshops bring together representatives from various USG agencies that have commercial promotion programs to present their programs to local business and government leaders.

COMMENT

19. (SBU) There is an impressive range of economic development activity ongoing throughout Dominica. Despite problems of corruption, crime, and a general low level of development, Dominica offers considerable potential, particularly in the eco-tourism and alternative energy field. POLOFF's working level contacts appreciate USG interest and encouragement and are actively looking for ways to generate U.S. investor interest in developing the island nation's rich natural resources.

